

**GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT**

**(A COMPONENT UNIT OF GRAND COUNTY)**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF GRAND COUNTY)  
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FOR THE YEAR ENDED DECEMBER 31, 2006**

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(A COMPONENT UNIT OF GRAND COUNTY)  
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## INDEPENDENT AUDITORS' REPORT

Administrative Control Board  
Grand County Recreation  
Special Service District  
Moab, Utah 84532

We have audited the accompanying financial statements of governmental activities and each major fund of Grand County Recreation Special Service District (a component unit of Grand County) as of December 31, 2006, and for the year then ended, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grand County Recreation Special Service District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respectively financial position of the governmental activities, and each major fund of the District as of December 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management, Discussion and Analysis and Budgetary Comparison information, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Governmental Auditing Standards, we have also issued our report dated May 4, 2007 on our consideration of Grand County Recreation Special Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Smuin, Rich & Marsing". The signature is written in dark ink and is positioned below the printed name of the firm.

Price, Utah

May 4, 2007

**GRAND COUNTY RECREATION  
SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF GRAND COUNTY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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Our discussion and analysis of Grand County Recreation Special Service District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2006 and comparison information for the fiscal year ended December 31, 2005.

**FINANCIAL HIGHLIGHTS**

- ❖ The District's net assets increased \$586,999 as a result of this year's operations. Net assets of our governmental activities (the only activity that the District has) increased by 23%.
- ❖ Total expenses of \$429,951 were \$157,128 more than the previous year and all of the expenses used general revenues that are not restricted to specific programs or purposes.
- ❖ Mineral lease revenue and payment in lieu of taxes for the year ended December 31, 2006 was \$797,972 and \$119,280, respectively. Mineral lease revenue increased by \$172,421 and payment in lieu of taxes increased by \$3,464 from the year ended December 31, 2005.
- ❖ The Capital Project Fund reported an increase in Fund Balance of \$1,133,015 after transfers from the general fund.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The financial reports: Statement of Net Assets and the Statement of Activities (on pages 10-12) provide information about the activities of the District as a whole and present a long-term view of the District's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most financially significant funds.

**REPORTING THE DISTRICT AS A WHOLE**

Our analysis of the District as a whole begins on page 10. The Statement of Net Assets is a way that helps determine if the District is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. Net assets equal the difference between assets and liabilities. This is one way to measure the District's financial position. Increases or decreases in the District's net assets are one indicator of whether the financial position of the District is improving or deteriorating.

## REPORTING THE DISTRICT AS A WHOLE (Continued)

In the Statement of Net Assets and the Statement of Activities, the District shows all of the activities in one column:

Governmental activities—All of the District's basic services are reported here, including the general and administration costs, contributions to other government agencies and depreciation expenses. Mineral Lease revenues and Payment in Lieu of Taxes revenues finance most of these activities.

### Reporting the District's Most Significant Funds

Our analysis of the District's major funds begins on page 13. The fund financial statements begin on page 13 and provide detailed information about the most significant funds. Some funds are required to be established by State law and by bond covenants. The District established other funds to help it control and manage money for particular purposes (capital projects and debt service payments) or to show that it is meeting legal responsibilities for using mineral lease funds, payment in lieu of taxes, grants, and other money. The District is operated with governmental funds, which uses a different accounting approach.

Governmental *funds*—All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship or differences between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation schedule found on pages 14 and 16.

### The District as Trustee

The District does not hold any funds or property in a trustee capacity. Consequently, no trustee information is required to be presented.

### Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The District's Statement of Net Assets, which increased during the current calendar year, presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. The government-wide financial statements include the District's activity only. If the District (the primary government) had accountability to any other entity (known as a component unit), that information would also be presented in the government-wide financial statements. Financial information for a component unit would be reported separately from the financial information presented for the primary government. The analysis below, focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental activities.

# REPORTING THE DISTRICT AS A WHOLE (Continued)

## Government-wide financial statements (Continued)

**Table 1**  
**Net Assets**

	Governmental Activities 2005	Governmental Activities 2006
Current and other assets	\$ 1,608,843	\$ 2,233,035
Capital assets, net	1,001,280	955,372
<b>Total assets</b>	<b>\$ 2,610,123</b>	<b>\$ 3,188,407</b>
Current liabilities		
Accounts payable	\$ 8,715	
<b>Total liabilities</b>	<b>\$ 8,715</b>	<b>\$ ...</b>
Net assets:		
Invested in capital assets, net of debt	\$ 1,001,280	\$ 955,372
Restricted for:		
Capital projects	883,355	2,066,409
Debt service	50,039	
Unrestricted	666,734	166,626
<b>Total net assets</b>	<b>\$ 2,601,408</b>	<b>\$ 3,188,407</b>

Net Assets of the District's governmental activities increased \$586,999 during the current year, compared to an increase of \$520,316 for the previous year. *Unrestricted* net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—is \$166,626 at the end of the year. These net assets are used to finance the continuing operations of providing recreation activities and services to those who use and desire recreational facilities and operations.

# REPORTING THE DISTRICT AS A WHOLE (Continued)

## Government-wide financial statements (Continued)

**Table 2**  
**Changes in Net Assets**

	<b>Governmental Activities</b>	<b>Governmental Activities</b>
	<b>2005</b>	<b>2006</b>
<b>Revenues</b>		
<b>General Revenues:</b>		
Mineral Lease revenue	\$ 625,551	\$ 797,972
Payment in Lieu of Taxes	115,816	119,280
Miscellaneous Income	14,951	20,000
Investment earnings	36,821	79,698
<b>Total revenues</b>	<b>\$ 793,139</b>	<b>\$ 1,016,950</b>
<b>Program Expenses</b>		
<b>Recreation:</b>		
General and administrative	\$ 74,627	\$ 62,275
Contributions to other govern.	123,972	290,281
Depreciation	74,224	77,395
<b>Total expenses</b>	<b>\$ 272,823</b>	<b>\$ 429,951</b>
<b>Change in net assets</b>	<b>\$ 520,316</b>	<b>\$ 586,999</b>
<b>Net Assets - beginning</b>	<b>\$ 2,081,092</b>	<b>\$ 2,601,408</b>
<b>Net Assets - ending</b>	<b>2,601,408</b>	<b>3,188,407</b>
<b>Change in net assets</b>	<b>\$ 520,316</b>	<b>\$ 586,999</b>

## **REPORTING THE DISTRICT AS A WHOLE (Continued)**

### **Government-wide financial statements (Continued)**

The District's operational goal for future years is to continue to strive to use the allotted funds in the best interest of the District and those who are served by the District's operations. As revenues increase, the funds will be used to implement recreation projects, activities, recreation improvements, and purchase supplies and equipment that are appropriate and beneficial for recreation purposes.

### **Governmental Activities**

Mineral lease funds for the District, which are the major revenue source, increased \$172,421 a 27.56 percent increase. Payment in Lieu of Taxes, which is another source of revenue, increased \$3,464 a 2.99 percent increase. Total expenses using these funds increased \$157,128, an increase of 57.59 percent. The largest source of funds (Mineral lease revenue) enables the District the opportunity to fund a variety of recreation improvements and recreation projects. Primarily, because of the increase in the Mineral Lease funds, the fund balances for governmental activities increased \$586,999 in 2006.

The cost of all governmental activities this year was \$429,951. As shown in the Statement of Activities on page 12, Mineral Lease and Payment in Lieu of Taxes revenue paid for the majority of these activities, and interest income was accumulated for future expenses. Overall, the District's governmental general revenues increased \$223,811 in 2006, a 28.22 percent change.

Costs of the District are centered within one program—Parks, recreation & public improvements. The net cost of expenditures (over) specific program revenues (none charged) shows the financial burden that utilizes the Mineral lease revenue, Payment in lieu of taxes and interest income.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised their budget once. The original budget was adopted on December 28, 2005 and was adjusted on December 13, 2006. The budget was amended from \$755,000 to \$1,526,590 to account for an increase in transfers from the general fund to the capital projects fund. The differences in the original budget and final amended budget are summarized as follows: 1) increase in revenues for Mineral Lease revenue (\$280,000), increase in Payment in Lieu of Taxes (\$4,280), increase in interest income (\$15,310), increase in miscellaneous (\$6,000); 2) decrease in operating expenditures (\$122,700), decrease in contributions to other agencies (\$15,700) and an increase in transfer to other funds (\$909,990).

The actual charges for expenditures in the general fund were \$304,819. This was \$88,881 below the final budget amounts. One of the most significant positive variance (\$79,772) occurred in miscellaneous expenses.

Resources for revenues were \$933,932. This was \$121,658 below the final budgeted amount. The most significant negative variance (\$105,697) occurred in mineral lease revenue.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of December 31, 2006, the District had \$955,372 (cost) invested in a broad range of capital assets, including buildings, building improvements, improvements other than buildings, and equipment (see Table 4 below). This amount represents a net decrease (including additions and deletions) of \$45,908, or a 4.58 percent decrease over the previous year.

**Table 4**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**  
**December 31, 2006**

	<b>Governmental Activities</b>	<b>Governmental Activities</b>
	<b>2005</b>	<b>2006</b>
Buildings	\$ 672,611	\$ 638,952
Building improvements	41,154	56,571
Improvements other than buildings	243,065	216,269
Equipment	44,450	38,955
Work in progress		4,625
<b>Total capital assets, net</b>	<b>\$ 1,001,280</b>	<b>\$ 955,372</b>

This year's major additions includes:

Building improvements (paid with mineral lease and PILT revenue)	\$22,362
Machinery and equipment (paid with mineral lease and PILT revenue)	\$ 4,500
Work in progress (paid with mineral lease and PILT revenue)	\$ 4,625

The District's calendar year 2007 capital budget calls for major spending on capital projects, including construction of a recreation center and an arena at an estimated cost of \$7,660,154. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

## **CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

### **Long-term debt**

The District does not have any debt at December 31, 2006.

## **ECONOMIC FORECAST AND FUTURE BUDGET**

Grand County's economic outlook is positive with tourism remaining its strongest industry. New small business ventures are growing as well. Oil and gas exploration and extraction is expected to remain consistent with previous years' performances. Real estate prices continue to rise, as Grand County becomes a destination for retirees and second homeowners.

Future budget constraints for the District are dependent on uncertain revenue sources and new long-term financial obligations. In 2007, the District will assume an annual payment of approximately \$90,000 for repayment of the bond to construct the county's new Community/Senior Center. Construction was completed in the summer of 2005. This payment is double the past loan obligation to pay for the construction of the Old Spanish Trail Arena that was paid off in 2005. The District is currently in the process of determining the details of a long-range strategic plan for development of the Old Spanish Trail Recreation Complex, as well as recreation projects, programs, and facilities in other places in Grand County. This plan will help determine future budgeting needs.

The Grand County Council has pledged 48% of the PILT money to the District for payment of the bond on the Community/Senior Center. The District expects to receive 33 1/3% of the Mineral Lease monies as well, for the life of the loan on the new Community/Senior Center. The Mineral Lease funds are unpredictable from year to year, but have remained in excess of \$300,000 the past four years, mineral lease funds are expected to increase with future oil and gas exploration in Grand County and may exceed \$500,000 in 2007. The District maintains a healthy Capital Projects savings account that is to be utilized for future capital projects.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our community with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Treasurer, John Geiger at 217 East Center Street, Moab, UT 84532.

**GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT**  
**(A COMPONENT UNIT OF GRAND COUNTY)**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2006**

	<u>GOVERNMENTAL ACTIVITIES</u>
 <b><u>ASSETS</u></b>	
Current assets:	
Cash and cash equivalents	\$ 195,267
Investments, at cost	1,905,562
Due from other governments	132,206
	<hr/>
Total current assets	\$ 2,233,035
	<hr/>
Noncurrent assets:	
Capital assets (Net of depreciation)	
Buildings	\$ 638,952
Building improvements	56,571
Improvements other than buildings	216,269
Machinery and equipment	38,955
Work in progress	4,625
	<hr/>
Total noncurrent assets	\$ 955,372
	<hr/>
Total assets	\$ 3,188,407
	<hr/> <hr/>

"The accompanying notes are an integral part of this statement."

GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF GRAND COUNTY)  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2006

	GOVERNMENTAL ACTIVITIES
<u>LIABILITIES AND NET ASSETS</u>	
LIABILITIES:	\$ ...
NET ASSETS:	
Invested in capital assets, net of related debt	\$ 955,372
Restricted for:	
Capital Projects	2,066,409
Unrestricted	166,626
Total net assets	\$ 3,188,407
Total liabilities and net assets	\$ 3,188,407

"The accompanying notes are an integral part of this statement."

**GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT**  
**(A COMPONENT UNIT OF GRAND COUNTY)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Assets</u>
					<u>Governmental</u>
					<u>Activities</u>
<b>Primary Government</b>					
Governmental activities:					
Recreation					
Administration	\$ 62,275				\$ (62,275)
Contribution to other governments agencies	290,281				(290,281)
Depreciation	77,395				(77,395)
Total governmental activities	\$ 429,951	\$ ...	\$ ...	\$ ...	\$ (429,951)
General Revenues:					
Grants and contributions not restricted					
to specific programs:					
Mineral lease					\$ 797,972
Payment in Lieu of Taxes					119,280
Miscellaneous Income					20,000
Investment earnings					79,698
Total general revenues					\$ 1,016,950
Change in net assets					\$ 586,999
Net assets - beginning					2,601,408
Net assets - ending					\$ 3,188,407

"The accompanying notes are an integral part of this statement."

**GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF GRAND COUNTY)**

**BALANCE SHEET  
DECEMBER 31, 2006**

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL GOVERNMENTAL FUNDS DECEMBER 31, 2006</u>
<u>ASSETS</u>			
Cash	\$ 34,420	\$ 160,847	\$ 195,267
Investments, at cost		1,905,562	1,905,562
Total assets	<u>\$ 34,420</u>	<u>\$ 2,066,409</u>	<u>\$ 2,100,829</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Total liabilities	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>
FUND EQUITY:			
Reserved for:			
Capital Projects		\$ 2,066,409	\$ 2,066,409
Unreserved, reported in:			
General Fund	<u>\$ 34,420</u>		<u>34,420</u>
Total fund equity	<u>\$ 34,420</u>	<u>\$ 2,066,409</u>	<u>\$ 2,100,829</u>
Total liabilities and fund equity	<u>\$ 34,420</u>	<u>\$ 2,066,409</u>	<u>\$ 2,100,829</u>

"The accompanying notes are an integral part of this statement"

**GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT**  
**(A COMPONENT UNIT OF GRAND COUNTY)**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2006**

Total fund balances - governmental fund types: \$ 2,100,829

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.

Buildings	\$	638,952	
Building improvements		56,571	
Improvements other than buildings		216,269	
Machinery and equipment		38,955	
Work in progress		4,625	
		955,372	955,372

Because mineral lease funds for the fourth quarter were not collected within 60 days of the District's fiscal year end, they are not considered "available" revenues in the governmental funds, therefore they have not been accrued as a receivable.

132,206

Net assets of governmental activities

\$ 3,188,407

"The accompanying notes are an integral part of this statement."

**GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT**  
**(A COMPONENT UNIT OF GRAND COUNTY)**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

			TOTAL GOVERNMENTAL FUNDS
	GENERAL	CAPITAL PROJECTS	DECEMBER 31, 2006
REVENUES:			
Intergovernmental revenue	\$ 913,583		\$ 913,583
Miscellaneous	20,349	\$ 79,349	99,698
Total revenues	\$ 933,932	\$ 79,349	\$ 1,013,281
EXPENDITURES:			
Current:			
Parks recreation and public property			
Maintenance and supplies		\$ 46,095	\$ 46,095
Insurance	\$ 4,515		4,515
Professional services	3,000		3,000
Dues and subscriptions	850		850
Contribution to other agencies	290,281		290,281
Bank charges	208		208
Office expense	1,746		1,746
Board member expense	491		491
Miscellaneous	3,728		3,728
Capital outlay		33,129	33,129
Total expenditures	\$ 304,819	\$ 79,224	\$ 384,043
Excess of revenue over (under) expenditures	\$ 629,113	\$ 125	\$ 629,238
OTHER FINANCING SOURCES (USES)			
Operating transfer in (out)	(1,132,890)	1,132,890	
FUND BALANCE, January 1, 2006	538,197	933,394	1,471,591
FUND BALANCE, December 31, 2006	\$ 34,420	\$ 2,066,409	\$ 2,100,829

"The accompanying notes are an integral part of this statement."

**GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT**  
**(A COMPONENT UNIT OF GRAND COUNTY)**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 629,238
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital assets (\$31,487) were exceeded by depreciation (\$77,395) in the current period.	(45,908)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the statement of revenues, expenditures and changes in fund balances. (Difference in mineral lease revenue between years).	3,669
Change in net assets of governmental activities	\$ 586,999

"The accompanying notes are an integral part of this statement."

**GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF GRAND COUNTY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**1. HISTORY AND ORGANIZATION**

Grand County Recreation Special Service District was established by the Grand County Board of Commissioners for the purpose of operating and funding public recreation programs and facilities within the district boundaries. Funding for the District is provided primarily from allocations of mineral lease monies received by Grand County under the "Mineral Lands Leasing Act," 30 U.S.C. Sec. 191. The mineral lease payments received by the County are determined by state law based on the proportionate amount of federal mineral lease money generated by the County in which the special service district is located. Grand County allocates a portion to the Recreation District under an interlocal agreement.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Grand County Recreation Special Service District have been prepared in conformity with accounting principles generally accepted in the United State of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting polices of the District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. Certain significant changes in the Statements include the following:

1) The financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operations.

Financial statements prepared using full-accrual accounting for all of the District's activities.

2) A change in the fund financial statements to focus on the major funds.

This and other changes are reflected in the accompanying financial statements (including notes to financial statements).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity

All financial activities over which the District has financial responsibility are included in this report. The basis for inclusion or exclusion of other entities in the District's financial statements was based on the criteria set forth in the Governmental Accounting Standards Board (GASB) pronouncements. The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of financial accountability; consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operations, and accountability for fiscal matters. According to the above criteria, the District is considered a "Component Unit" of Grand County, and has been included in the County's financial statements, which can be obtained from the County's administrative office in Moab, Utah.

B. Government-Wide Financial Statements

Generally accepted accounting principles (GAAP) require that state and local governments provide a government-wide statement of net assets and a government-wide statement of activities. These government-wide financial statements are required to be presented using the economic resources measurement focus and the accrual basis of accounting, the same measurement focus and basis of accounting employed by private-sector business enterprises and not-for-profit organizations.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

The statement of net assets is the basic government-wide statement of position that presents all of the District's permanent accounts (assets, liabilities, and net assets).

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Primary Government

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes and all other intergovernmental revenues are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

**General Fund** - The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first then unrestricted resources, as they are needed.

D. **Capital Assets**

Capital assets, which include, land, buildings, improvements, and machinery and equipment are reported in the government-wide financial statements. The District has not defined a specific cost amount for their capitalization policy relating to capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the District is not included as part of the capitalized value of the assets constructed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Capital Assets (Continued)

Buildings, improvements, machinery and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10 - 35
Improvements	10 - 20
Machinery and Equipment	5 - 10

E. Budgeting

The system of budgeting used by the District complies primarily with the procedures outlined in the "State of Utah Uniform Accounting Manual for Special Districts," which is in accordance with generally accepted accounting principles. Budgets are presented on the modified accrual basis of accounting for all governmental funds. All annual appropriations lapse at year-end.

The District follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. A formal budget is adopted for all funds that require a budget.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance – that is estimated revenues and expenditures must equal.
3. On or before November 1, the District Manager prepares a tentative budget and files it with the Board of Trustees.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearings is published at least seven days prior to the meetings.
6. Public hearings are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Directors.
7. The Board of Directors considers the comments made by the public and makes final adjustments to the budget.
8. By December 31<sup>st</sup>, the Board of Directors adopts the budget by resolution. A copy of the budget is certified by the County Auditor and is filed with the State Auditor within thirty days of adoption. A certified copy of the budget is available for public inspection.
9. The budget may be amended to reflect changes in circumstances, which occur during the year. Budgets may be increased by the resolution of the Board at any time during the year, provided a public hearing has been held regarding any proposed increase.
10. Under the Code, the District's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budget amounts, including revisions, except as allowed by the Code for certain events.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### F. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

### G. Receivables

Receivables in the governmental activities consist of amounts due from state government where collectibility is reasonably assured. Accordingly, no allowance for uncollectible accounts has been established. The amount shown as due from other governments is the quarterly payment of mineral lease money.

### H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net assets.

### I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## 3. DEPOSITS AND INVESTMENTS

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

### *Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2006, the District's bank balance of cash on deposit was \$87,394 of this amount all was insured.

### **Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

### 3. DEPOSITS AND INVESTMENTS (Continued)

#### **Investments (Continued)**

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2006, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 1,905,562	\$ 1,905,562			
Total Investments	\$ 1,905,562	\$ 1,905,562	\$ ...	\$ ...	\$ ...

#### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District also manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act.

### 3. DEPOSITS AND INVESTMENTS (Continued)

Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

#### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments but the District informally follows the policy for reducing its exposure to credit risk by complying with the State's Money Management Act as previously discussed. At December 31, 2006, the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			Unrated
		AAA	AA	A	
State of Utah Public Treasurer's Investment Fund	\$ 1,905,562				\$ 1,905,562
Total	\$ 1,905,562	\$ ...	\$ ...	\$ ...	\$ 1,905,562

#### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

#### *Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of December 31, 2006, the District had \$1,905,562 invested in the Public Treasurer's Investment Fund and was held by them.

#### 4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Work in progress		\$ 4,625		\$ 4,625
Total capital assets not being depreciated	\$ ...	\$ 4,625	\$ ...	\$ 4,625
Capital assets being depreciated:				
Buildings	\$ 1,178,065			\$ 1,178,065
Buildings improvements	90,802	\$ 22,362		113,164
Improvements other than buildings	336,828			336,828
Machinery and equipment	130,163	4,500		134,663
Total capital assets being depreciated	\$ 1,735,858	\$ 26,862	\$ ...	\$ 1,762,720
Less accumulated depreciation for:				
Buildings	\$ 505,454	\$ 33,659		\$ 539,113
Buildings improvements	49,648	6,945		56,593
Improvements other than buildings	93,763	26,796		120,559
Machinery and equipment	85,713	9,995		95,708
Total accumulated depreciation	\$ 734,578	\$ 77,395	\$ ...	\$ 811,973
Total capital assets being depreciated, net	\$ 1,001,280	\$ (50,533)	\$ ...	\$ 950,747
Governmental activities capital assets, net	\$ 1,001,280	\$ (45,908)	\$ ...	\$ 955,372

4. **CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:

Parks and Recreation	\$ 77,395
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Total depreciation expense - governmental activities	<u>\$ 77,395</u>
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5. **BENEFITS**

Grand County Recreation Special Service District does not have employees and therefore, no benefits are provided.

6. **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is insured through commercial companies for its general liability coverage. At December 31, 2006, the District had no claims or judgments filed against it related to the risks mentioned above.

7. **ECONOMIC DEPENDENCY**

Nearly all revenue received by the District is derived from mineral leasing funds allocated to counties. These funds are paid to the State of Utah and subsequently allocated to counties based on the production or extraction of minerals within each County. Therefore, currently, the District is almost entirely dependent on the success of industries, which extract minerals from Grand County.

8. **USE OF ESTIMATES**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. **RESERVED FUND BALANCE/RESTRICTED NET ASSETS**

The financial statements of the Grand County Recreation Special Service District as of December 31, 2006 had reserved fund balances in its fund statements and restricted net assets in the government-wide financial statements. Both the reserved and restricted amounts arose because of the restrictions imposed in its capital projects fund. The District has developed a capital facility plan and restricted moneys in the capital projects fund for the construction of these facilities. The amount reserved and restricted is \$2,066,409.

**GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES:				
Mineral lease revenue	\$ 620,000	\$ 900,000	\$ 794,303	\$ (105,697)
Payment-In-Lieu-Of-Taxes	115,000	119,280	119,280	
Interest income	1,000	16,310	349	(15,961)
Miscellaneous revenue	14,000	20,000	20,000	
Total revenues	\$ 750,000	\$ 1,055,590	\$ 933,932	\$ (121,658)
EXPENDITURES:				
Current:				
Parks, Recreation and Public Property				
Insurance	\$ 8,000	\$ 5,000	\$ 4,515	\$ 485
Professional services	5,000	4,000	3,000	1,000
Dues and subscriptions	1,000	1,000	850	150
Contributions to other agencies	308,700	293,000	290,281	2,719
Bank charges	1,000	1,000	208	792
Office supplies	4,400	4,200	1,746	2,454
Board member expense	2,000	2,000	491	1,509
Miscellaneous	202,000	83,500	3,728	79,772
Total expenditures	\$ 532,100	\$ 393,700	\$ 304,819	\$ 88,881
Excess of revenue over (over) expenditures	\$ 217,900	\$ 661,890	\$ 629,113	\$ (32,777)
OTHER FINANCING SOURCES (USES)				
Operating transfer (out)	(222,900)	(1,132,890)	(1,132,890)	
Excess of revenues and other sources over (under) expenditures and other uses	\$ (5,000)	\$ (471,000)	\$ (503,777)	\$ (32,777)
Fund balances - beginning of year	538,197	538,197	538,197	
Fund balances - end of year	\$ 533,197	\$ 67,197	\$ 34,420	\$ (32,777)

# SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Administrative Control Board  
Grand County Recreation  
Special Service District  
Moab, Utah 84532

Re: Report on Legal Compliance with  
Applicable Utah State Laws and  
Regulations

Ladies/Gentlemen:

We have audited the accompanying financial statements of the governmental activities and each major fund of Grand County Recreation Special Service District (a component unit of Grand County) as of and for the year ended December 31, 2006 and have issued our report dated May 4, 2007. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2006. The District received the following major State assistance programs from the State of Utah:

## Mineral Lease (Department of Transportation)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Audit Guide including:

Public Debt	Cash Management
Purchasing Requirements	Budgetary Compliance
Truth in Taxation and	Other Compliance Requirements
Property Tax Limitations	Special Districts

The District did not receive any nonmajor State grants during the year ended December 31, 2006.

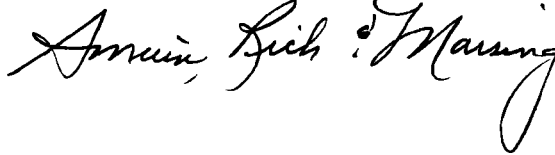
The management of Grand County Recreation Special Service District is responsible for the District's compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Grand County Recreation Special Service District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended December 31, 2006.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, reading "Armin Rich Marsing". The signature is written in dark ink and is positioned below the printed name.

Price, Utah

May 4, 2007

# SMUIN, RICH & MARSING

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Administrative Control Board  
Grand County Recreation Special Service District  
Moab, Utah 84532

RE: Report on Compliance and on Internal  
Control Over Financial Reporting Based  
on an Audit of Financial Statements Per-  
formed in Accordance With Government  
Auditing Standards

We have audited the financial statements of the governmental activities and each major fund of Grand County Recreation Special Service District as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

## Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

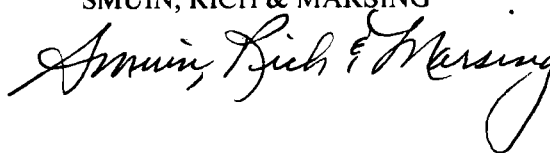
A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Smuin, Rich & Marsing". The signature is written in dark ink and is positioned below the firm's name.

Price, Utah

May 4, 2007